

AMENDED IN ASSEMBLY MAY 12, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

**ASSEMBLY BILL**

**No. 848**

**Introduced by Assembly Member Nation**

February 20, 2003

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An act to add Sections ~~17041.1 and 23151.1~~ 17250.8 and 24349.8 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 848, as amended, Nation. Income and corporation taxes: tax: federal benefit.

~~The Personal Income Tax Law and the Corporation Tax Law impose taxes upon, or measured by, income.~~

~~This bill would impose an additional tax under each of those laws in an amount equal to the reduction in federal tax liability due to specified federal statutes, as provided.~~

*The Personal Income Tax Law and the Corporation Tax Law, in specified conformity to federal income tax laws, allow certain deductions for a purchase of a qualified vehicle weighing 6,000 pounds or more in computing the income that is subject to the taxes imposed by those laws.*

*This bill would modify those conformity provisions to prohibit various deductions under those laws for costs paid or incurred in connection with purchases of large sport utility vehicles, as defined. This bill would make certain legislative findings and declarations relating to the reasons for disallowing the tax incentives for large sport utility vehicles.*

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares the  
2 following:

3 (a) Under existing federal law, a small business is allowed to  
4 deduct for federal income tax purposes up to twenty-five thousand  
5 dollars (\$25,000) when it purchases and places in service a vehicle  
6 weighing 6,000 pounds or more.

7 (b) The original intent of this large vehicle provision was to  
8 assist farmers and business owners requiring light trucks or vans  
9 in their workplaces.

10 (c) Since the original large vehicle tax deduction was enacted,  
11 Sport Utility Vehicles (SUVs) have dramatically grown in size.  
12 There are currently 38 different luxury passenger SUVs that weigh  
13 more than 6,000 pounds and qualify for a substantial tax  
14 deduction. A similar deduction is not available for smaller  
15 passenger SUVs.

16 (d) Existing federal tax law provides an incentive for small  
17 businesses to purchase larger, less fuel-efficient SUVs.

18 ~~(e) Under President Bush's 2003 Economic Stimulus Plan, the~~  
19 ~~administration proposes to raise the deduction cap currently set at~~  
20 ~~twenty-five thousand dollars (\$25,000) to seventy-five thousand~~  
21 ~~dollars (\$75,000) for small businesses, while retaining a 30~~  
22 ~~percent bonus deduction in the first year qualified equipment is~~  
23 ~~placed in service under existing law.~~

24 ~~(f) If the federal amount is increased to seventy-five thousand~~  
25 ~~dollars (\$75,000) California income taxes should be increased in~~  
26 ~~the amount of the federal benefit.~~

27 SEC. 2. ~~Section 17041.1 is added to the Revenue and Taxation~~  
28 ~~Code, to read:~~

~~17041.1. In addition to any other tax imposed by this part, there is imposed upon the taxable income for each taxable year a tax in an amount equal to the amount of the reduction in the taxpayer's federal income tax liability for that taxable year attributable to the deductions allowed to the taxpayer for federal income tax purposes by Section 179, relating to election to expense certain depreciable business assets, and by Section 280F, relating to limitation on depreciation, of the Internal Revenue Code.~~

~~SEC. 3. Section 23151.1 is added to the Revenue and Taxation Code, to read:~~

~~23151.1. In addition to any other tax imposed by this part, there is imposed upon the taxable income for each taxable year a tax in an amount equal to the amount of reduction in the taxpayer's federal income tax liability for that taxable year attributable to the deductions allowed to the taxpayer for federal income tax purposes by Section 179, relating to election to expense certain depreciable business assets, and by Section 280F, relating to limitation on depreciation, of the Internal Revenue Code.~~

~~(e) California should not allow these federal incentives for large SUVs.~~

~~SEC. 2. Section 17250.8 is added to the Revenue and Taxation Code, to read:~~

~~17250.8. (a) In the case of a "large sport utility vehicle," all of the following apply:~~

~~(1) Section 167 of the Internal Revenue Code, relating to depreciation, is modified to provide that no deduction is allowed under that section for any "large sport utility vehicle."~~

~~(2) Section 168 of the Internal Revenue Code, relating to accelerated cost recovery system, is modified to provide that no deduction is allowed under that section for any "large sport utility vehicle."~~

~~(3) Section 179 of the Internal Revenue Code, relating to election to expense certain depreciable business assets, is modified to provide that no deduction is allowed under that section for any "large sport utility vehicle."~~

~~(4) Section 1245(a)(3) of the Internal Revenue Code, relating to Section 1245 property, is modified to provide that the term "Section 1245 property" does not include any "large sport utility vehicle."~~

1     **(b)** *The term “large sport utility vehicle” means a four-wheeled*  
2 *vehicle manufactured primarily for use on public streets, roads,*  
3 *and highways if the vehicle meets all of the following*  
4 *requirements:*

5     **(1)** *Is rated between 6,000 and 14,000 pounds gross vehicle*  
6 *weight.*

7     **(2)** *Is designed to seat nine or fewer individuals.*

8     **(3)** *Is not equipped with an open cargo area with an interior*  
9 *length of 72 or more inches or does not have a covered box with*  
10 *an interior length of 72 or more inches that is separate from the*  
11 *passenger compartment.*

12     **SEC. 3.** *Section 24349.8 is added to the Revenue and Taxation*  
13 *Code, to read:*

14     **24349.8.** *(a) In the case of a “large sport utility vehicle,” all*  
15 *of the following apply:*

16     **(1)** *Section 24349, relating to depreciation, is modified to*  
17 *provide that no deduction is allowed under that section for any*  
18 *“large sport utility vehicle.”*

19     **(2)** *Section 168(g) of the Internal Revenue Code, relating to*  
20 *alternative depreciation system for certain property, is modified to*  
21 *provide that no deduction is allowed under that section for any*  
22 *“large sport utility vehicle.”*

23     **(3)** *Section 24356, relating to election to expense certain*  
24 *depreciable business assets, is modified to provide that no*  
25 *deduction is allowed under that section for any “large sport utility*  
26 *vehicle.”*

27     **(4)** *Section 1245(a)(3) of the Internal Revenue Code, relating*  
28 *to Section 1245 property, is modified to provide that the term*  
29 *“Section 1245 property” does not include any “large sport utility*  
30 *vehicle.”*

31     **(b)** *For purposes of this section, “large sport utility vehicle”*  
32 *means a four-wheeled vehicle manufactured primarily for use on*  
33 *public streets, roads, and highways if the vehicle meets all of the*  
34 *following requirements:*

35     **(1)** *Is rated between 6,000 and 14,000 pounds gross vehicle*  
36 *weight.*

37     **(2)** *Is designed to seat nine or fewer individuals.*

38     **(3)** *Is not equipped with an open cargo area with an interior*  
39 *length of 72 or more inches or does not have a covered box with*

- 1 *an interior length of 72 or more inches that is separate from the*
- 2 *passenger compartment.*
- 3 SEC. 4. This act provides for a tax levy within the meaning of
- 4 Article IV of the Constitution and shall go into immediate effect.

